



International Association
of Drilling Contractors

10370 Richmond Ave., Suite 760
Houston, Texas 77042
P.O. Box 4287
Houston, Texas 77210

P +1.713.292.1945
F +1.713.292.1946
www.iadc.org

1 March 2017

Secretary Ryan Zinke
Department of the Interior
1849 C Street, NW
Washington, DC 20240

Dear Secretary Zinke,

Congratulations on your confirmation by the U.S. Senate as Secretary of the Interior and assuming the leadership of the agency asserting the greatest control over the responsible development of our nation's natural resources. As a Montanan, you know firsthand the awe inspiring beauty of our national landscape and the tremendous resources that our country possesses. The International Association of Drilling Contractors (IADC) and its members look forward to working with you and your agency to develop these natural resources for our country in a safe and environmentally sound manner.

IADC is a trade association representing worldwide interests of the onshore and offshore drilling industry since 1940. With over 1,400 members, IADC membership reaches nearly every state in the U.S. Our members operate the vast majority of onshore rigs in the U.S. and all the Mobile Offshore Drilling Units (MODUs) operating in areas subject to the jurisdiction of the U.S.

As a trade association, IADC's purpose is to advance drilling and completion technology, improve industry health, safety, environmental and training practices; and champion sensible regulation and legislation that facilitate safe and efficient drilling. Through its 17 Committees and 15 global Chapters, IADC creates the space for its members to connect, collaborate and create solutions aimed at addressing the industry's most critical issues. We also recently launched a video series entitled "Why Drilling Matters," an important educative resource which can be viewed at www.drillingmatters.iadc.org.

As you know from serving on the House Natural Resources Committee, the Federal government owns roughly 640 million acres, which is about 28% of the 2.27 billion acres of land in the U.S. The Bureau of Land Management (BLM) has the delegated authority for leasing 245 million acres of public lands, including 104 million acres managed by the U.S. Forest Service, for the development of their oil, gas and geothermal resources. Yet, only a small fraction of the prospectively developable acres are being made available for use. Because of the policies adopted by the last administration, the issuance of oil and gas leases on federal lands declined 65% over the period from 2008 to 2015. This must change as the responsible development of these resources spurs economic development to the benefit of both local communities and the Federal government.

To change this trend, the Department of Interior must turn the tide by working to renew our nation's commitment to the responsible development of these resources. Whether onshore or especially offshore, the access policies of the prior administration must be reversed and access must be provided to the Outer Continental Shelf in the Eastern Gulf of Mexico, Atlantic and

Arctic. Further, the Department must eliminate lengthy and unnecessary permit delays and maintain a consistent and predictable permitting process.

In addition, the Department must get out of the way and let states who have been regulating these activities within their borders for decades continue to do so without Federal overreach. With more access, a consistent and timely permitting process, and less federal government interference, we can once again produce these resources for our nation.

In addition, listed below are several other specific issues we look forward to working with the Department on to ensure fair and sensible regulation.

BSEE Blowout Prevention and Well Control rule: The Bureau of Safety and Environmental Enforcement (BSEE) issued a final rule in April 2016. In industry's view, this rule was rushed to completion. Since its issuance, a joint-trade association working group has been engaged with BSEE to obtain mutual understanding of the rule and to develop necessary clarifications and interpretations for its implementation. We would urge you to encourage this process to continue even though your full team may not be in place. There are provisions of the rule that will not be resolved through this process, and we will be addressing these in future correspondence.

BOEM Air Quality rule: Under the previous Administration, the Bureau of Ocean Energy Management was planning to move forward with this rule prior to the receipt of ongoing studies assessing the significance of offshore oil and gas development activities in the Central and Western Gulf of Mexico on onshore air quality in the region. Until those impacts have been assessed, no further action should be taken on this rulemaking. If the rule is then deemed necessary, BOEM must pursue an effective consultation with both industry and the states.

BOEM NTL 2016-N01 Financial Assurance: This NTL was proposed to set new standards for financial assurance and bonding requirements, but in developing the new guidance BOEM did not work with industry to understand the crippling impacts that would result. This NTL should be revoked and we respectfully ask that your agency work with industry to develop a workable solution that ensures compliance with the law without jeopardizing the prudent development of the OCS.

BLM Hydraulic Fracturing rule: This rule is duplicative with state regulatory requirements and has been tied up in court for over a year now, and is currently on appeal by the federal government. Because this rule is unnecessary, and represents federal government overreach into states that are already regulating these activities, IADC encourages DOI to rescind the rule or work with industry to greatly revise it to address technical issues and allow for state variances.

BSEE Contractor Liability: In the immediate aftermath of the Macondo incident, BSEE decided to reinterpret its regulations in order to pursue enforcement actions against contractors, as opposed to the oil company lessees/operators. In August 2012, BSEE formalized this revised policy in an Interim Policy Document (IPD No. 12-07) on Issuance of an Incident of Non Compliance (INC) to Contractors. BSEE has subsequently pursued enforcement action against

contractors. Two of these cases have been adjudicated in Federal District Courts in Louisiana, and in both cases, the rulings were against the agency. While we recognize that the government may choose to appeal these rulings, we believe that IPD No. 12-07 should be withdrawn.

We appreciate your time and attention to these matters. We look forward to meeting with you and your team in the months to come and our members are on standby for any rig visits you may wish to take in the near future. IADC serves as an educative resource for those curious to learn how our members' rigs operate and drill for our nation's oil, natural gas and geothermal resources.

With warmest regards,

A handwritten signature in black ink, appearing to read "Jason E. McFarland".

Jason E. McFarland
President, IADC